

What is forbearance?

If you temporarily can't meet your repayment schedule but you're not eligible for a deferment, your lender might grant you forbearance for a limited and specific period of time. Forbearance occurs when your lender or loan-servicing agency agrees to either temporarily reduce or postpone your student loan payments. Interest continues to accrue (accumulate), however, and you are responsible for paying it, no matter what kind of loan you have.

Generally, your lender can grant forbearance for periods up to 12 months at a time, for a maximum of three years. You'll have to provide documentation to the lender to show why you should be granted forbearance. The lender must send you a notice confirming the terms that were agreed to and record them in your file.

Applying for deferment or forbearance

Receiving deferment or forbearance is not automatic. You or your parents must apply for it.

- **Federal Perkins Loans**—Contact the school that made your loan or the school's servicing agent.
- **Direct Loans (includes Direct PLUS Loans)**—Contact the Direct Loan Servicing Center at: **1-800-848-0979**. TTY users should call **1-800-848-0983**

Or, go to: www.dl.ed.gov

- **FFEL Loans (includes FFEL PLUS Loans)**—Contact the lender or agency holding your loan.

Regardless of which type of federal student loan you have, you must pay the interest that accrues (accumulates) during any period of forbearance.

Are there circumstances when I must be granted a mandatory forbearance?

Yes. There are certain mandatory forbearances. Examples include borrowers who:

- are in a medical or dental internship or residency;
- have student loan payments that are 20 percent or more of their monthly income;
- have payments being made for them by the Department of Defense.

Contact your lender or loan-servicing agent for more information on the mandatory forbearance benefit.

Consolidating Your Loans

What is loan consolidation?

Student and parent borrowers can consolidate (combine) multiple federal student loans with various repayment schedules into one loan: either a FFEL Consolidation Loan or a Direct Consolidation Loan, making a single monthly payment.

With a consolidation loan:

- Your monthly payment might be lower.
- You can take a longer time to repay (up to 25 years).
- You will receive a fixed interest rate on your Direct or FFEL Consolidation Loan.

Compare the cost of repaying your unconsolidated loans with the cost of repaying a consolidation loan. Things to consider are:

- Whether you'll lose any borrower benefits if you consolidate, such as interest rate discounts or principal rebates, as these benefits can significantly reduce the cost of repaying your loans.
- Whether you might lose some discharge and cancellation benefits if you include a Perkins Loan in your consolidation loan.

Carefully review your consolidation options before you apply.

Talk to the holder of your loan(s) for more information *before* you consolidate.

If you're in default* on a federal student loan, you still might be able to consolidate if you make satisfactory repayment arrangements on the defaulted loan or agree to repay the consolidation loan under the Income-Contingent or Income Sensitive Repayment Plans, provided the defaulted loan is not subject to a judgment or wage garnishment.

What kinds of loans can be consolidated?

All federal student loans discussed in this guide are eligible for consolidation, and others can be included. To get a complete list of your loans that are eligible for consolidation, contact your lender or the agent servicing your loan(s).

If you're applying for a:

- **FFEL Consolidation Loan**—Contact your lender or the agent servicing your loan(s).
- **Direct Consolidation Loan**—Contact the Loan Origination Center's Consolidation Department at **1-800-557-7392**. TTY users may call **1-800-557-7395**. Or, go to www.loanconsolidation.ed.gov.

*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.